FILE COPY

Office - Supreme Court, U.
FILED
JAN 20 1950
CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1949.

Nos. 478 and 479

CONSUMERS PETROLEUM COMPANY,
Petitioner,

vs.

CONSUMERS COMPANY,
Respondent.

PETITIONER'S REPLY BRIEF IN SUPPORT OF ITS PETITION FOR WRIT OF CERTIORARI.

Albert E. Jenner, Jr.,
Harry G. Hershenson,
James B. McKeon,
Edward H. Hatton,
Attorneys for Petitioner.

Poppenhusen, Johnston, Thompson and Raymond,
Hershenson and Hershenson,
Of Counsel.

The Scheffer Press, Inc.—FInancial 6-2694

IN THE

Supreme Court of the United States

OCTOBER TERM, 1949

Nos. 478 and 479

CONSUMERS PETROLEUM COMPANY,
Petitioner,

vs.

CONSUMERS COMPANY,
Respondent.

PETITIONER'S REPLY BRIEF IN SUPPORT OF ITS PETITION FOR WRIT OF CERTIORARI.

SUMMARY STATEMENT OF THE MATTER INVOLVED.

Petitioner set forth the essential facts as found by the Court of Appeals in its first opinion, and reiterated in its second opinion. (Pet., 2-6)[1]. The ambulatory discourse of respondent with two exceptions does not challenge the facts as stated.

Respondent argues that petitioner's statement that respondent did not engage in the fuel oil business until 1938 (petitioner commenced the fuel oil business in 1925), was erroneous. The record is very clear in this respect.

[1] The facts relied on by petitioner were originally reported by a Master in Chancery, whose findings on all essential issues were approved by the Court of Appeals.

Thus, the Court of Appeals in its first opinion specifically recited (R. 9):

> "Thus, we have a factual situation wherein the defendant [respondent] while first incorporated confined its business solely to the distribution of hard fuel, such as coal and wood, until 1938, when it commenced the sale and distribution of fuel oil on its own account. In the meantime, plaintiff [petitioner] in the year 1925 was incorporated, and engaged solely in the business of the sale and distribution of fuel oils. Further, as found by the Master and not disputed, each of the parties spent large sums of money in advertising their business and each built up a goodwill for their business, and especially for those products with which they were concerned. In this connection, it must be kept in mind that while the defendant subsequent to 1927 advertised fuel oil to a limited extent, it made no sales of such oil under its corporate name until 1938. In the meantime, such fuel oil as it dealt with, was under the trade names of the Standard Oil Company."

Respondent also suggests that petitioner's assertion that confusion of the public occurred only on and after the year 1938 when respondent first entered the fuel oil field under its corporate name and the trade name "Consumers," was inaccurate. Again we quote the Court of Appeals in its first opinion, as follows (R. 6, 9):

> "Confusion on the part of the buying public as between plaintiff and defendant as the source of fuel oil purchased or sought to be purchased *was charged in both the complaint and in defendant's counterclaims.* Each side, however, disclaims responsibility for the confusion and each asserts that it was the result of the wrongful act of the other in appropriating and using the trade name "Consumers" in connection with the sale and distribution of fuel oil"

• • • • • • • • •

"The Master further found:

'*The undisputed evidence shows that prior to the year 1938 when defendant began the sale of fuel oil for itself—i.e., it stopped acting as agent for the Standard Oil Company of Indiana—there was no confusion in the minds of the public despite the similarity of names. It shows further that since that time there has been very considerable confusion.* Not only is this evidence not denied but allegations to that effect constitute the bases of the pleadings of each of the parties and this confusion should, for the protection of the public, not be permitted to continue.'" (Emphasis supplied).

ARGUMENT.

1. Respondent argues that the second opinion of the Court of Appeals is not contrary to or in conflict with decisions of this Court, and with decisions of the lower federal courts. A reading of respondent's arguments serves fully to confirm petitioner's statement that the opinion and judgments of the Court of Appeals here sought to be reviewed are without precedent, and stand in direct conflict with decisions of this Court and of the lower federal courts. (Pet., 7-13).

a. Firstly, the decision of the Court of Appeals is directly contrary to the decision of this Court in *American Steel Foundries* v. *Robertson*, 269 U.S. 372 (1926), which petitioner discussed at length. (Pet. 9, 10). Respondent's purported distinction admits the applicability of the *Robertson* case, and its direct conflict with the case at bar. (Resp. Br., 6-7). Respondent agrees that the *Robertson* case involved the employment of the generic word "Simplex" as the dominant portion of a corporate name (cf., *"Consumers"* in *"Consumers* Company"). The statement by this Court that such an appropriation would be enjoined (269 U.S. 372, 381; Pet., 9) presents as direct a conflict as may be imagined.

b. Petitioner set forth other representative decisions by lower federal courts enjoining appropriation of trade names, where used either as a corporate name, or as the dominant part of a corporate name. (Pet., 10). Respondent asserts the inapplicability of such decisions, but has not explained wherein any of the cases cited differ in principle from the case at bar. Respondent's failure to favor this Court and petitioner with its thoughts, such as they may

be, as to how or in what manner the cases are distinguishable leads to the inevitable conclusion that respondent is unable to distinguish these cases, that they are in point, and in direct conflict with the decision in the case at bar. A reading of them requires such a conclusion.

c. The Court of Appeals asserted a lack of power as a federal court of equity to enjoin defendant from the use of its corporate name or as a minimum, the use of the infringed trade name "Consumers" in its corporate name. Such a lack of power has never heretofore been doubted or even suggested. See *e.g., American Steel Foundries* v. *Robertson,* 269 U.S. 372, 381 (1926), and other cases cited. (Pet., 10). Respondent does not directly challenge this construction of the opinion of the Court of Appeals. This conclusion of the Court of Appeals stands unsupported in law, and is in conflict with the decisions of this Court and the lower federal courts heretofore adverted to. Lack of evidence of fraudulent conduct may prevent the recovery of damages, but has never been held a bar to effective equitable relief. Respondent has cited no cases to the contrary.

2. Respondent suggests that the issues raised by the present petition are the same as were presented by respondent's petition for writ of certiorari to review the opinion and judgment of the Court of Appeals for the Seventh Circuit in the first appeal[2].

The issues raised by the pending petition for writ of certiorari challenge the equitable relief granted to petitioner by the Court of Appeals. (Pet., pp. 6-7). However the first opinion and judgment of the Court of Appeals was not concerned with the issue of scope of relief, but

[2] 169 F. 2d 153 (C.A. 7, 1948), **cert. den.,** No. 395, 335 U.S. 902.

wholly with whether the facts justified a finding of unfair competition at all. The Court of Appeals reversed the judgment of dismissal of the District Court and remanded the case for the entry of a suitable decree. No issue was thus presented or could have been presented to this Court, as to the scope of the injunction, or as to the question of whether a federal court of equity has the basic power to enjoin a corporation from the use of its corporate name in the sale and distribution of a product, when the use of that name would be an obvious infringement on the prior rights of another to the dominant symbol contained in the corporate name (*e.g., Consumers*, in "*Consumers* Company".) The issue as to the scope and terms of the injunction was thus hypothetical and premature. It is not now hypothetical since the District Court entered an injunction within its discretion enjoining respondent from the use of the name "Consumers", or the name "Consumers Company" as trade names for the sale and distribution of fuel oil in the Chicago metropolitan area. The Court of Appeals has disavowed the injunction entered by the trial court, and has asserted that although respondent was guilty of unfair competition in using the word *Consumers* as a trade name, it may continue to use its name "*Consumers* Company" in the sale and distribution of fuel oil; and furthermore flatly asserted that it had serious doubts as to the power of a federal court of equity to restrain any corporation from the use of its corporate name, absent wilful and malicious fraud and active misrepresentation.

3. Respondent also suggests but does not articulate the suggestion, that the issue is one of local, not federal law. This misconception is based on the same false premise as the argument that the first and second decisions of the Court of Appeals considered the same basic issues.

The first decision dealt with the issue of whether, under the found facts, respondent had unfairly competed with petitioner. This was an issue primarily of local law. The second decision related solely to the issue of scope of equitable relief. This is not an issue to be determined under local law, but concerns the power and duty of a federal court of equity. See *e.g., Black & Yates* v. *Mahogany Ass'n.*, 129 F. 2d. 227, 232-3 (C.A. 3, 1942), *cert den.*, 317 U.S. 672 (1942). See also, *Sprague* v. *Ticonic Nat'l. Bk.*, 307 U.S. 161 (1939); *Kelleam* v. *Md. Casualty Co.*, 312 U.S. 377 (1941); and *York* v. *Guaranty Trust Co. of N.Y.*, 326 U.S. 99 (1945). The issue of scope and extent of equitable relief is procedural, not substantive, and is thus a question of general federal jurisprudence. See *e.g., Erie Ry. Co.* v. *Tompkins*, 304 U.S. 64 (1938); *Burns Mtg. Co.* v. *Hardy*, 94 F. 2d. 477, 480-1 (C.A. 1, 1938); *Zahn* v. *Transamerica Corp.*, 162 F. 2d. 36, 46-47 (C.A. 3, 1947); Tunks, *Categorization & Federalism*, 34 Ill. Law Rev. 271 at p. 276, f.n. 23.

4. For the reasons stated we think it clear that the issues present a question of general federal law. We think the issues also present critical questions of general importance.

The result of the decision, whether bottomed on lack of power residing in a federal court of equity or otherwise, has struck a telling blow at the very heart of actions for unfair competition in the use of trade names—the relief to be accorded one whose prior and superior rights to a name have been infringed. As petitioner stated (Pet., 11), the growing majority of cases involving the use of generic or institutional trade names in this field are not easily susceptible of evidence of wilfulness, fraudulent misrepresentations, and related illegal and malicious conduct of this nature. The presently typical cases are those

of the character represented by the case at bar wherein the only available relief is equitable. The law of unfair competition is of honored and ancient lineage. The facet of it represented by the case at bar is becoming of great importance and is a rapidly expanding field. The equitable relief to be accorded one who has been wronged is, of course, of primary importance. The formulation of principles to guide federal courts of equity in protecting the injured person from further illegitimate competition, and in protecting the public from confusion of source and origin, is necessary to preserve and forward the development of this field of law—for without the granting of effective relief the rights of the interested parties, including the public, would be set at naught.

Thus, the decision of the Court of Appeals in the case at bar, finds, on the one hand, the existence of unfair competition, but on the other hand, completely denies any relief whatsoever to end the confusion of the public and to protect the property rights of petitioner. The Court of Appeals has thus rendered a decision of critical general importance, which it is submitted, merits review by this Court.

CONCLUSION.

Petitioner concluded its petition for a writ of certiorari by the statement that the decision of the Court below was manifestly and clearly one of general importance, and that if it were left as a guidepost in this developing field of law would have the effect of turning the current of that trend and lead to a result which would fail wholly to give not only adequate relief but would in effect deny relief to those whose rights have been infringed by the use of

a corporation of its corporate name or dominant part thereof as a trade name in the sale and distribution of goods, services and products. Nothing respondent has stated in his brief in opposition in any way or manner belies this statement. Rather respondent's argument has either utterly misconceived the issues raised by the petition for writ of certiorari, or have served greatly to strengthen petitioner's position. It is therefore respectfully submitted that the decision of the Court of Appeals, for the compelling reasons we have suggested, merits review by this Court.

Respectfully submitted,

ALBERT E. JENNER, JR.
HARRY G. HERSHENSON,
JAMES B. MCKEON,
EDWARD H. HATTON,
Attorneys for
Consumers Petroleum Company.

POPPENHUSEN, JOHNSTON, THOMPSON & RAYMOND,
HERSHENSON & HERSHENSON,
Of Counsel.